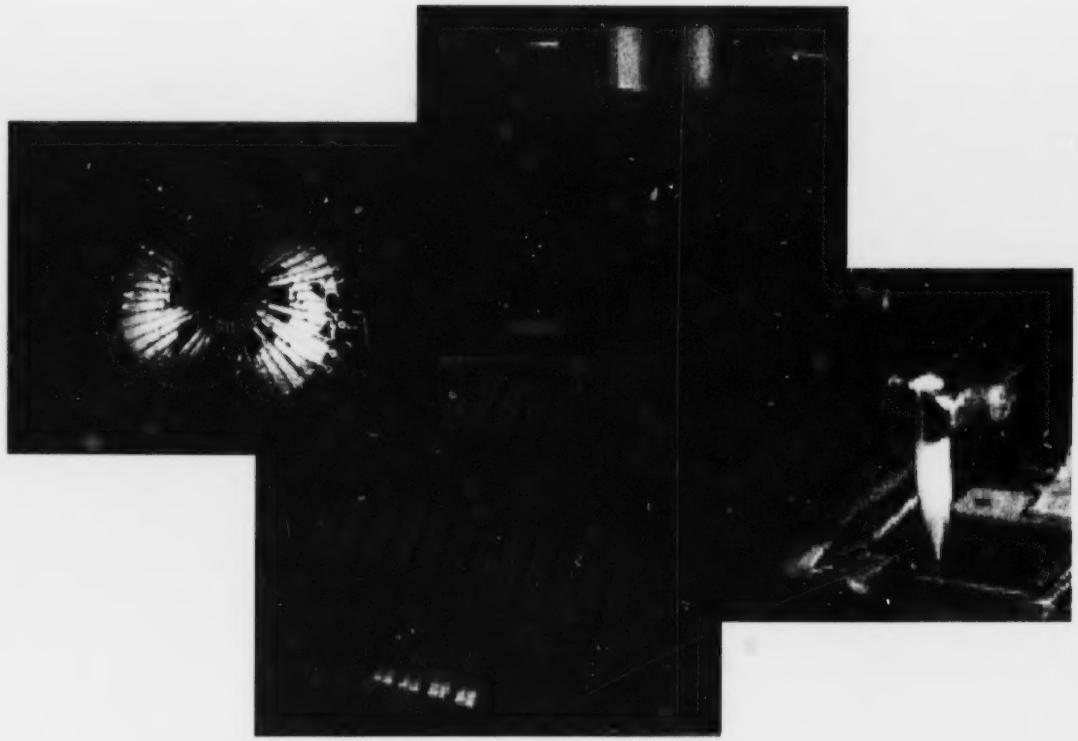
INVESTING IN CANADA'S INFORMATION AND COMMUNICATIONS TECHNOLOGY INDUSTRY



infotech@ic.gc.ca

November 2002

Canada: A Dynamic, Competitive Economy - Open for Global Business

103-05386/

Canada's economic fundamentals and relative cost advantages provide a first-rate business environment.

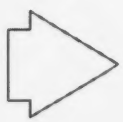
Canada provides:

- **A growing domestic ICT industry**
- **A sound ICT infrastructure**
- **Excellent economic fundamentals**
- **A cost-competitive business environment**
- **Easy access to markets**

Report Card

- ☑ Dynamic Domestic ICT industries
- ☑ Excellent ICT infrastructure and strong technological environment
- ☑ Competitive tax system (particularly for R&D), low start-up costs, positive business climate
- ☑ Large stock of skilled workers
- ☑ Geography and NAFTA provide easy access to the world's most prosperous market

Canada Provides:



- **A growing domestic ICT industry**

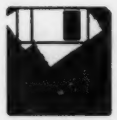
What is the ICT Sector

ICT Manufacturing

- Commercial & Service Industry Machinery (NAICS 33331)
- Computer & Peripheral Equipment (NAICS 33411)
- Telephone Apparatus (NAICS 33421)
- Radio & Television Broadcasting & Wireless Communications Equipment (NAICS 33422)
- Audio & Video Equipment (NAICS 33431)
- Semiconductors & Other Electronic Components (NAICS 3441)
- Navigational, Measuring, Medical & Control Instruments (NAICS 33451)
- Communication & Energy Wire & Cables (NAICS 33592)

ICT Services

- Cable & Other Program Distribution (NAICS (51322)
- Telecommunications Services (NAICS 5133)
- Software & Computer Services (NAICS 5112, 51419, 5142, 5415)
- ICT Wholesaling (NAICS 4173)



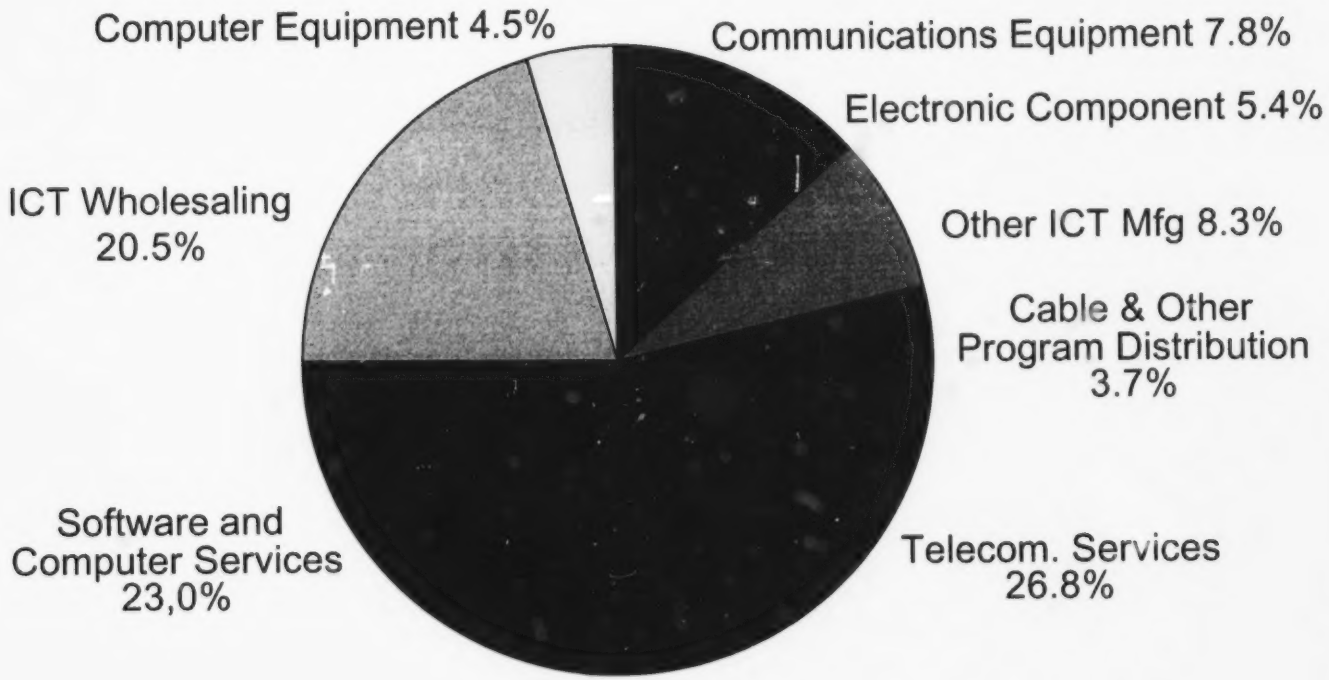
The ICT Sector at a Glance

• Share of GDP	6.2%
• Employment	597 000
• Revenues (estimate)	$123.0 billion
• R&D expenditures (2002 intentions)	$ 5.2 billion
• Share of private sector R&D	46.0%
• Exports - ICT goods and services	$31.0 billion

Source: Industry Canada, ICT Statistical Overview (ICTSO). 2001 data

ICT sector revenues

Distribution of Revenues by ICT Industry, 2001 ($123 Billion Total)*



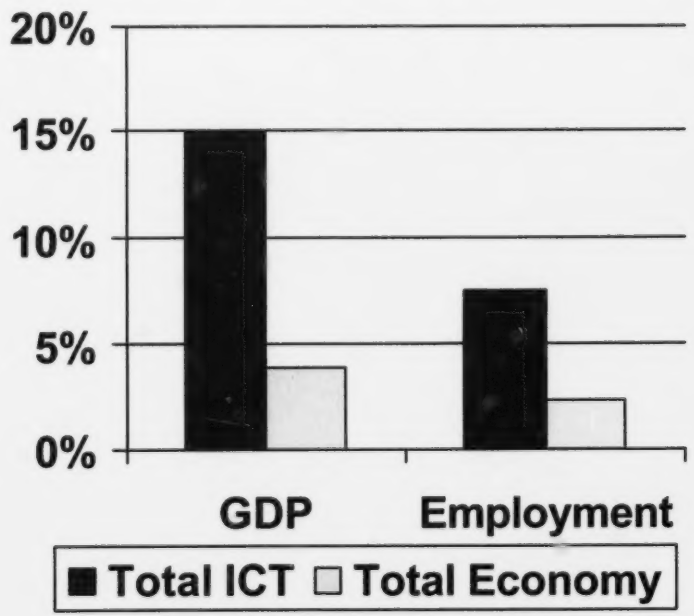
* Industry Canada estimates based on Statistics Canada data.
Source: ICT Statistical Overview, Industry Canada.

The ICT Sector is Growing Faster than the Canadian Economy

- Over the 1997-2001 period, the ICT sector's contribution to GDP has grown at a Compound Annual Growth Rate (CAGR) of 14.9% compared to 3.8% for the Canadian economy.

- Between 1997 and 2001, employment has also increased faster in the ICT sector than in the economy as a whole (CAGR of 7.5% vs 2.3%).

Annual Growth in GDP and Employment, CAGR, 1997-2001(1)



(1) ICT employment for 2001 is an estimate.

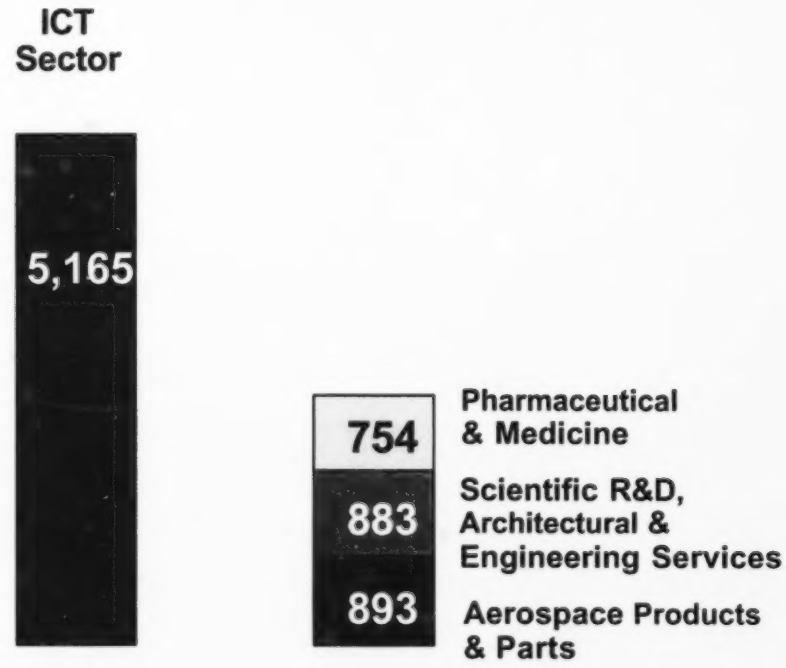
Source: ICT Statistical Overview, Industry Canada.

Most innovative sector in Canada

- ICT sector R&D expenditures were expected to reach $5.2 billion in 2002; 46% of the total Canadian private sector R&D
- Six of the top ten R&D performers in Canada are ICT firms

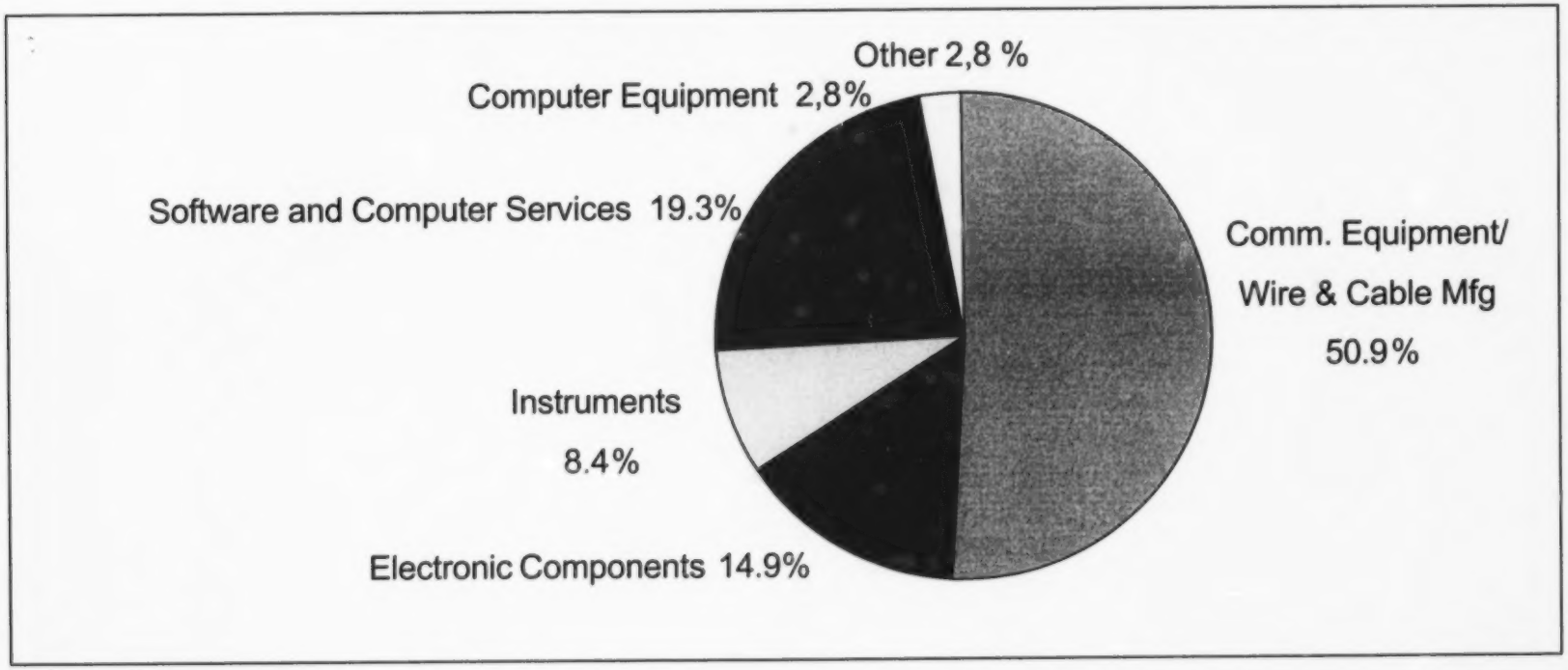
Private Sector R&D Expenditures

2002 Intentions ($ millions)



The largest R&D performer in Canada

R&D Expenditures by ICT Industry, 2002 Intentions: $5.2 Billion



Source: ICT Statistical Overview, Industry Canada.

Canada's Broad and Niche Market Strengths

Telecommunications and network technologies

- *Nortel Networks*
- *Mitel Networks*
- *Newbridge/Alcatel*

Optical technologies

- *Nortel Networks*
- *JDS Uniphase*
- *Dalsa*
- *Lumenon*

Advanced security technologies

Entrust Technologies

Computing Devices Canada

Henotex

AiT

Software development

- *Cognos*
- *Entrust*

Semiconductor design

- *PMC Sierra*
- *ATI*

Wireless technologies

- *RIM*
- *Sierra Wireless*

Electronics Mfg. services

- *Celestica*
- *SMTC Corp*

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Electronics Mfg. services

- *Celestica*
- *SMTC Corp*

Strength in Software, Telecommunications, Microelectronics and Advanced Security Technologies

Software

- Benefiting from the lowest software manufacturing costs in the G-7, Canadian software development firms are world leaders in numerous sector niches including:

  - Data & Document Management: Adobe, Cognos, OpenText, Internetivity
  - Network Management: Aastra Technologies, Orchestream, Saville Systems, Eicon Networks
  - Customer Relationship Management: Pivotal, Janna, Delano, Crystal Decisions, eAssist
  - Digital Media: Softimage, Electronic Arts, Alias/Wavefront, Discreet, Ubi Soft
  - Middleware and toolkits: Platform, Mortice Kern, Hummingbird

- Specialized software such as flight simulation - CAE; risk management - Algorithmics; distance learning - MediaSpark; GIS software - Geomat International

Strength in Software, Telecommunications, Microelectronics and Advanced Security Technologies

Telecommunications

- A world leader in traditional telecommunications and leading-edge wireless combined with global expertise in radio, microwave and satellite communications; lowest costs in G-7 for electronics and telecom equipment manufacturing industries.

- In telecom equipment sector, Alcatel, Cisco, Ericsson, Lucent, Marconi, Motorola, Nortel Networks, Mitel Networks and Siemens have extensive activities in Canada

- In wireless, Nortel, Research in Motion, Sierra Wireless are among those developing wireless solutions and advanced wireless Internet appliances

- Radio, Microwave and Satellite anchors include MacDonald Dettwiler, Norsat, EMS Technologies, Harris Corporation

- Extensive research infrastructure anchored by the Communications Research Center and National Research Council.

Strength in Software, Telecommunications, Microelectronics and Advanced Security Technologies

Microelectronics

- Canadian expertise focussed primarily on telecommunications, with smaller niches in video/graphics, medical/biotech and automotive with assets concentrated upstream in design and downstream in systems for end users. Cadence Design, Tundra Semiconductor, PMC-Sierra, ATI Technologies, Gennum and Matrox are active in microelectronics corridor.

- Proximity to the US market and lower operating costs have triggered the growth of electronic manufacturing in Canada. Concentration is in Eastern Canada but with regional pockets of activity. Celestica, SMTC, SCI Systems, Solectron, LogiCan are among the many active players.

- An optical corridor extends from Ottawa through Montreal to Quebec city with several clusters of activity elsewhere in the country, all supported by numerous universities active in optical and component research.

- These clusters support a rapidly expanding supply chain of optical components and network design equipment. JDS, Alcatel, Nortel, Dalsa, Lumenon, and others are active.

Strength in Software, Telecommunications, Microelectronics and Advanced Security Technologies

Advanced Security Technologies

- Canadian companies are developing and implementing innovative security solutions globally

- Canada offers extensive range of ICT - assisted security solutions including:
  - Authentication/verification - AiT, Silanis Technologies, Spectra Securities
  - Biometrics - AiT, Visionsphere Technologies, Bioscrypt Inc.
  - Contaminant Detection - Barringer Technologies Computing Devices Canada, Exploranium G.S. Ltd.
  - Explosive Detection - Scintex Trace Corp., Henotex Corp., Computing Devices Canada
  - Cryptography - Chrysalis-ITS, Karthika, Compression & Encription Technologies
  - Imaging (facial recognition) - Arius3D, Symagery, Synercard
  - Internet security solutions - Entrust, Kasten Chase, Zero Knowledge, Certicom Corp.
  - Smart Cards - Digital Accelerator, Gemplus, StatisTech Technology
  - Surveillance - Satlantic, Trackonic, iMPath Networks
  - Voice recognition - Locus Dialog, Nuance Communications, NSM Communications
  - Tracking technologies - Cell-Lok, Seimac Ltd., Sherrex Systems Ltd.
  - Robotic remote security devices - Inuktun Services, Stream Intelligent Networks

Clusters of Activity Across the Country

Edmonton

Acrodex
AMC Technologies Corp.
Intuit Canada
LogiCan
Matrikon
Micralyne
Nat. Inst. of Nanotechnology
Sentai Software Corporation
TR Labs
Upside Software
YottaYotta

Saskatchewan

Critical Telecom
BDM Information Systems
SED Systems Inc.
AllStar Technologies
WebWrap Comm.
Inroad Solutions
Light Source Synchrotron

Winnipeg

Canwest Global
Online Business Systems
Frantic Films
Norsat International
ClearOption Technologies
Linnet Systems
Momentum Software

Ottawa

Mitel
Mosaid
Cisco
Conextant
NortelNetworks
Nokia
QNX Software
Siemens
Tundra Semiconductor
Corel
JDS Uniphase
Alcatel
Cognos

Toronto

724 Solutions
Alias Wavefront
ATI Technologies
Celestica
Certicom
ExtendMedia
GEAC
Genus
Side Effects
Hewlett-Packard
IBM
Lucent
Motorola

Calgary

General Dynamics Canada
LSI Logic
Nortel Networks (Wireless)
Novatel & Novatel Wireless
Sanmina
Smart Technologies
CSI Wireless
Wi-Lan
TRLabs - NEWT

Atlantic Provinces

ComDev Wireless
DeltaWare Sytems
DMR Group
EDS
InfoInteractive
Instrumar
JOT Inc
KnowledgeHouse
Northrop Grumman
Nautel
Digital Ocean
Satlantic
Simscape
Tecknowledge Health
xWave

Montreal

BCE Emergis
CAE
CGI
CITR
C-MAC/Solectron
Cognicase
Discreet
Eicon Networks
Ericsson
Lumenon
Marconi Comm.
Matrox
Motorola
Microcell
MPB
Nortel Networks
Primetech
SCI Systems
Softimage
SR Telecom
Teleglobe
Viasystems

Vancouver

Electronic Arts Canada
Infowave Software
Pivotal
PMC Sierra
MacDonald Dettwiler
MDSI Mobile Data
Crystal Decisions
Sierra Wireless
Spectrum Signal Processing
Trillium Digital

Kitchener-Waterloo

Com Dev
Dalsa
Descartes Systems
Open Text
PixStream/Cisco Systems
Raytheon Systems Canada
Research in Motion

The Toronto/Ottawa/Montréal Triangle

Alcatel, ATI Technologies, BCE Emergis, Celestica, Cisco, Cognos, Corel, Discreet, Ericsson, Gennum, IBM, JDS Uniphase, Lucent, Marconi Communications, Matrox, Microcell, Mitel Networks, Mosaid, Motorola, Nortel Networks, Research in Motion, Siemens, Softimage, Teleglobe, Tundra Semiconductor, Zarlink Semiconductor

*Universities: **Guelph, Waterloo, York**, Ryerson, **Carleton, McGill, Concordia, Ecole Polytechnique de Montréal, McMaster, Toronto, Queens, Ottawa, Montréal, Laval***

One of the World's Great ICT Complexes

The Toronto/Ottawa/Montréal Triangle

Alcatel, [illegible], Celestica, Cisco, Cognos,
Corel, [illegible], IBM, JDS Uniphase, Lucent,
Mar[illegible], Mitel Networks,
Mos[illegible], Research in Motion, Siemens,
Softi[illegible], Zarlink
Semic[illegible]

Univers[illegible], Ryerson, Carle[illegible], [illegible]
Ecole [illegible], [illegible]aster, Toronto, [illegible], [illegible],
Laval

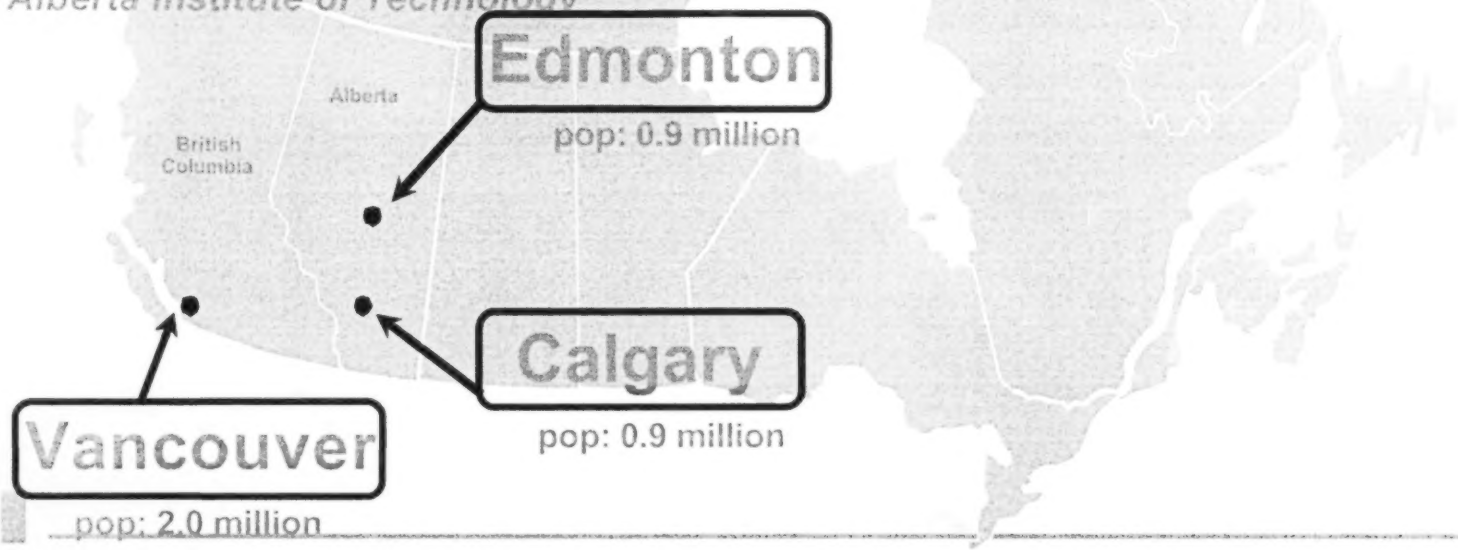
The Toronto/Ottawa/Montreal Triangle

- Over 300,000 ICT professionals
- Combined population approaching 10,000,000
- Advanced ICT infrastructure
- Concentration of telecom, optical, digital media, software, and e-commerce expertise
- Numerous research institutes and centers of excellence
- 5 of the top 20 computer and electrical engineering programs in North America
- Rapid air shuttles and fast rail
- Integrated into US Great Lakes/Northeast region

The Vancouver/Edmonton/Calgary Triangle

Computing Devices of Canada, Celcorp, Electronic Arts Canada, Infowave Software, Intuit Canada, LSI Logic, MacDonald-Dettwiler, MDSI Mobile Data, Micralyne, Nortel Networks, PMC-Sierra, Crystal Decisions, Sierra Wireless, Spectrum Signal Processing,TR Labs, Wi-Lan

Universities: Simon Fraser, Technical University of BC, Alberta, Calgary, British Columbia, Victoria, N. Alberta Institute of Technology, BC Institute of Technology, S. Alberta Institute of Technology



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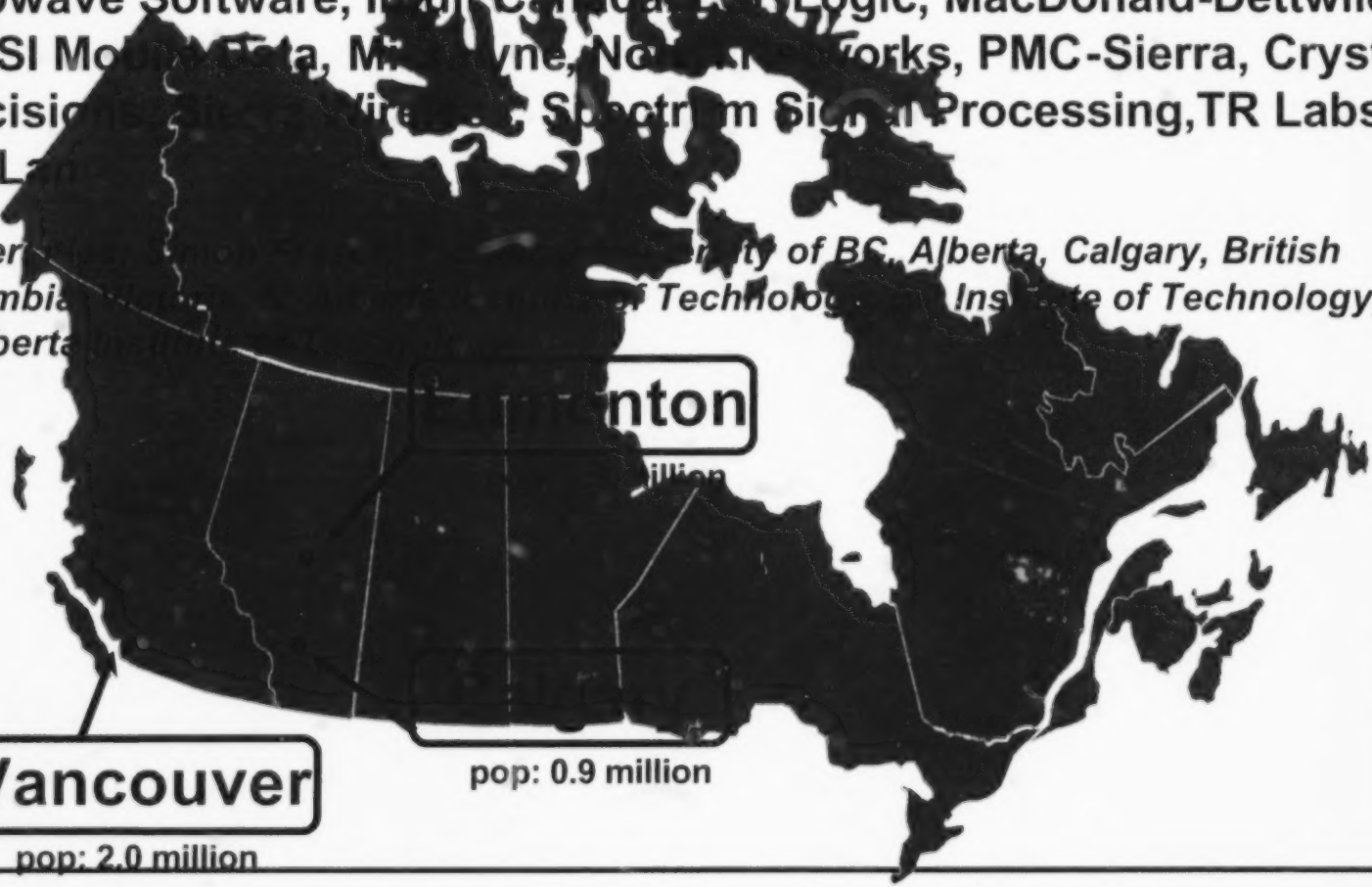
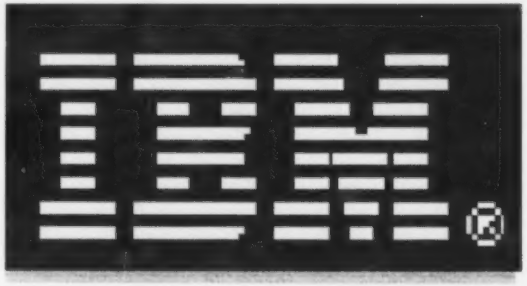
Univer[illegible]ty of BC, Alberta, Calgary, British Columbia[illegible] Technolog[illegible] Ins[illegible]te of Technology, S. Alberta[illegible]

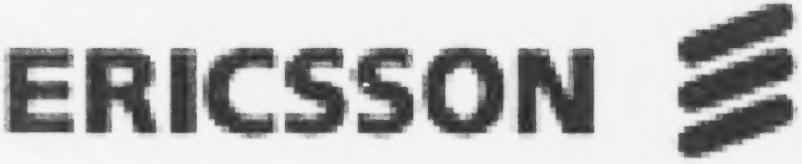


The Vancouver/Edmonton/Calgary Triangle

- Over 100,000 ICT professionals
- Combined population close to 4,000,000
- Clusters built around telecommunications including a strong wireless hub, software and digital media including animation, special effects and interactive software development
- Strong academic and R&D infrastructure
- 3 of the top 20 electrical engineering programs in North America
- North America's major air/shipping gateway to Asia
- Increasingly integrated into US West Coast complex

Multi-Nationals Have Chosen Canada





Multi-Nationals Have Chosen Canada (cont'd)

MOTOROLA

Sun microsystems

ALCATEL

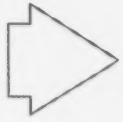
ARCHITECTS OF AN INTERNET WORLD

Lucent Technologies
Bell Labs Innovations

NOKIA
CONNECTING PEOPLE

Canada Provides:

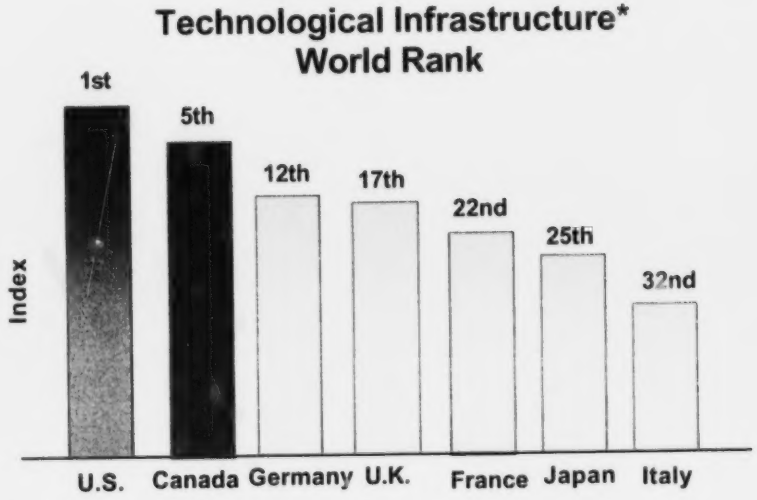
- A growing domestic ICT industry



A sound ICT infrastructure

First-Class Technological Infrastructure

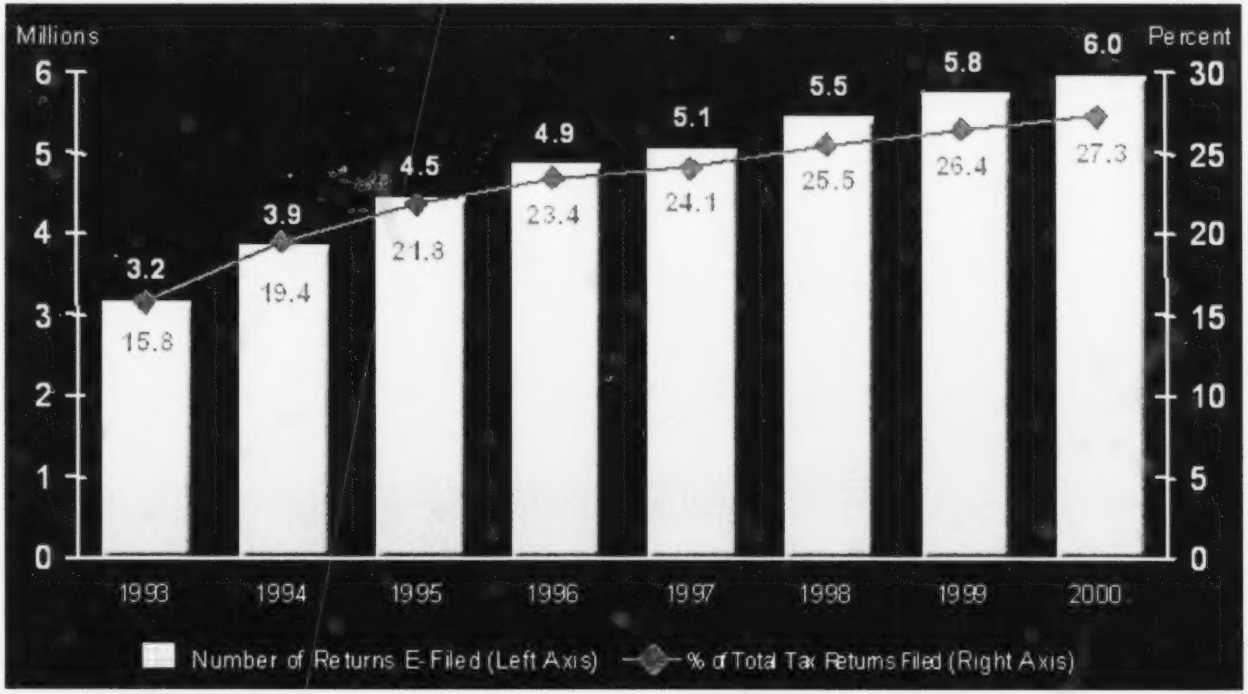
- Canada's technological infrastructure is second only to the U.S. among the G-7 — we rank above or very close to the U.S. in terms of:
  - internet users and internet hosts
  - computers per capita
- Building a universal, competitive, leading edge "Information Highway" is a government priority.



* Standing among 49 countries. Index based on 20 characteristics including investment in telecommunications, computers in use, computer power, internet connections, number of telephone lines, cost of telephone calls and use of robotics.
Source: World Competitiveness Yearbook, 2002

Canadians Are Receptive to Government On-Line Services

Tax returns filed electronically in Canada



Source: Canada Customs and Revenue Agency; October 2001.

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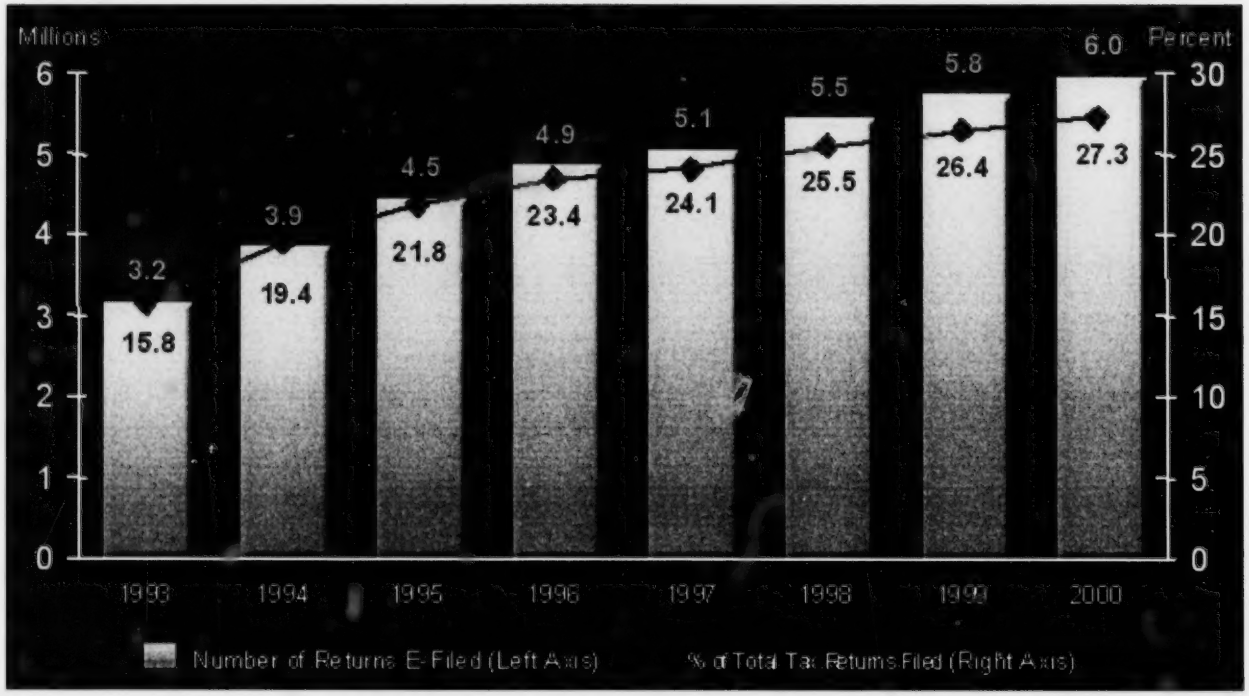
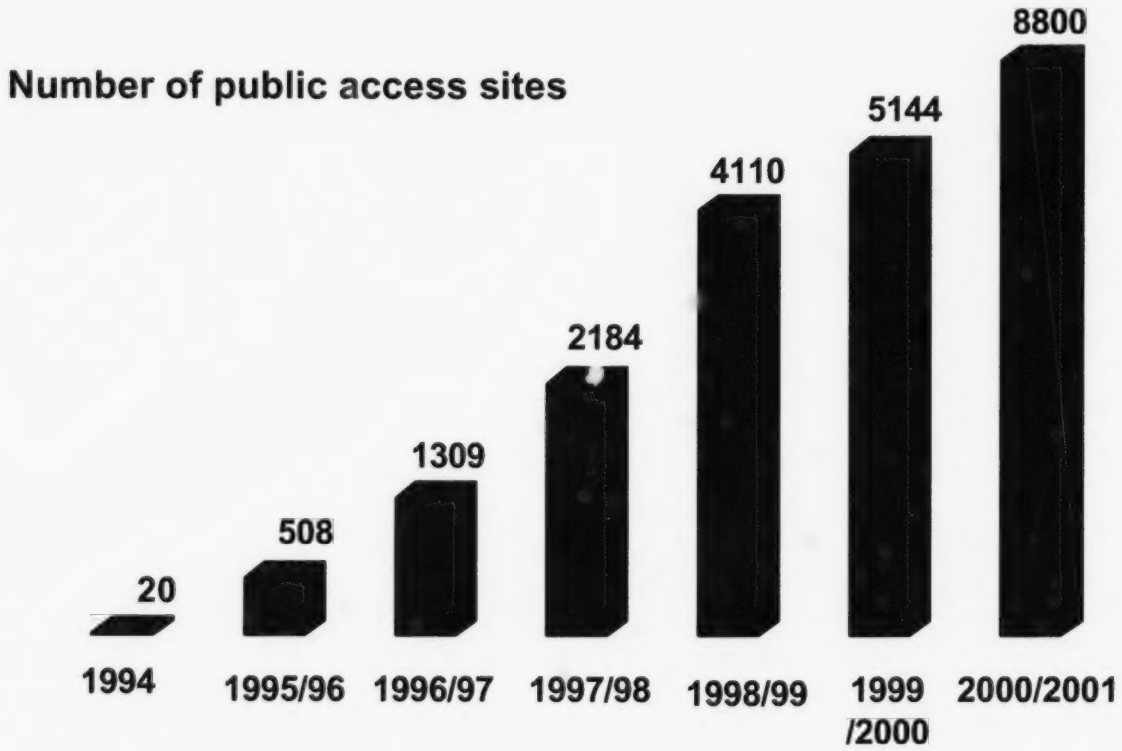


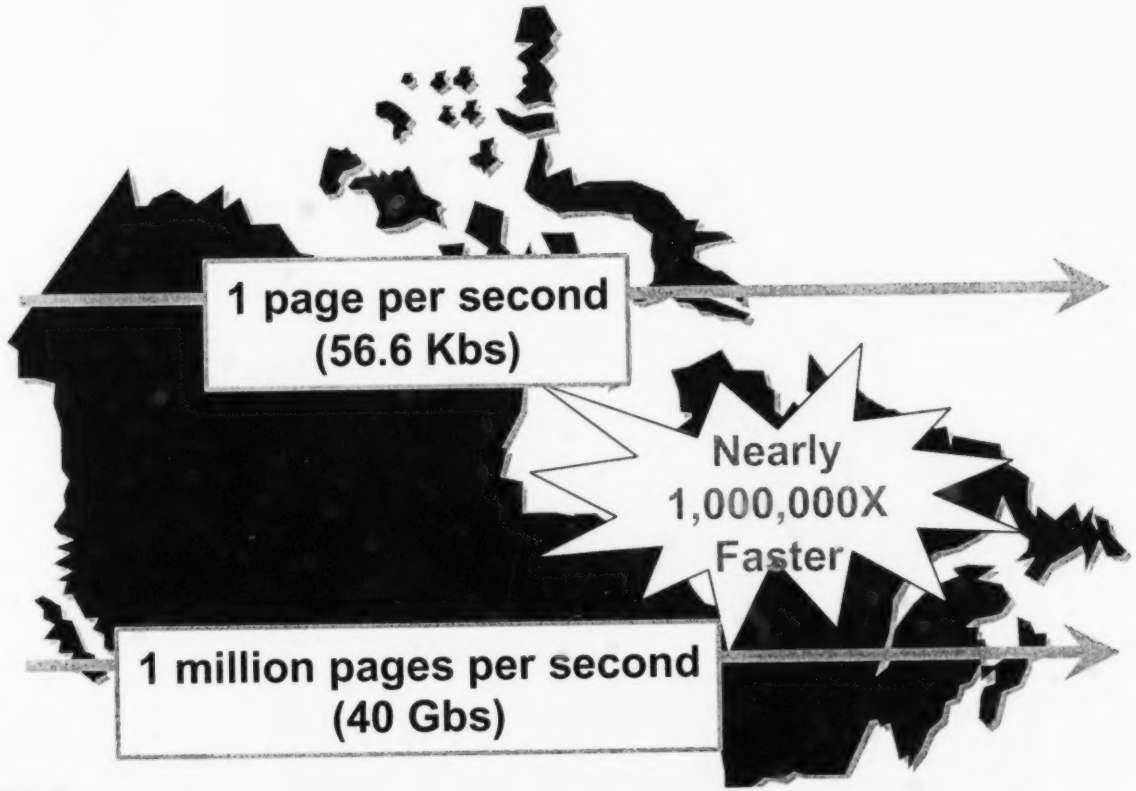
Source: Canada Customs and Revenue Agency; October 2001.

Canadian Communities are Connected to the Internet



Source: Information Highway Applications Branch, Industry Canada

*The Next Generation Network – CA*net3*



CA*net
1993

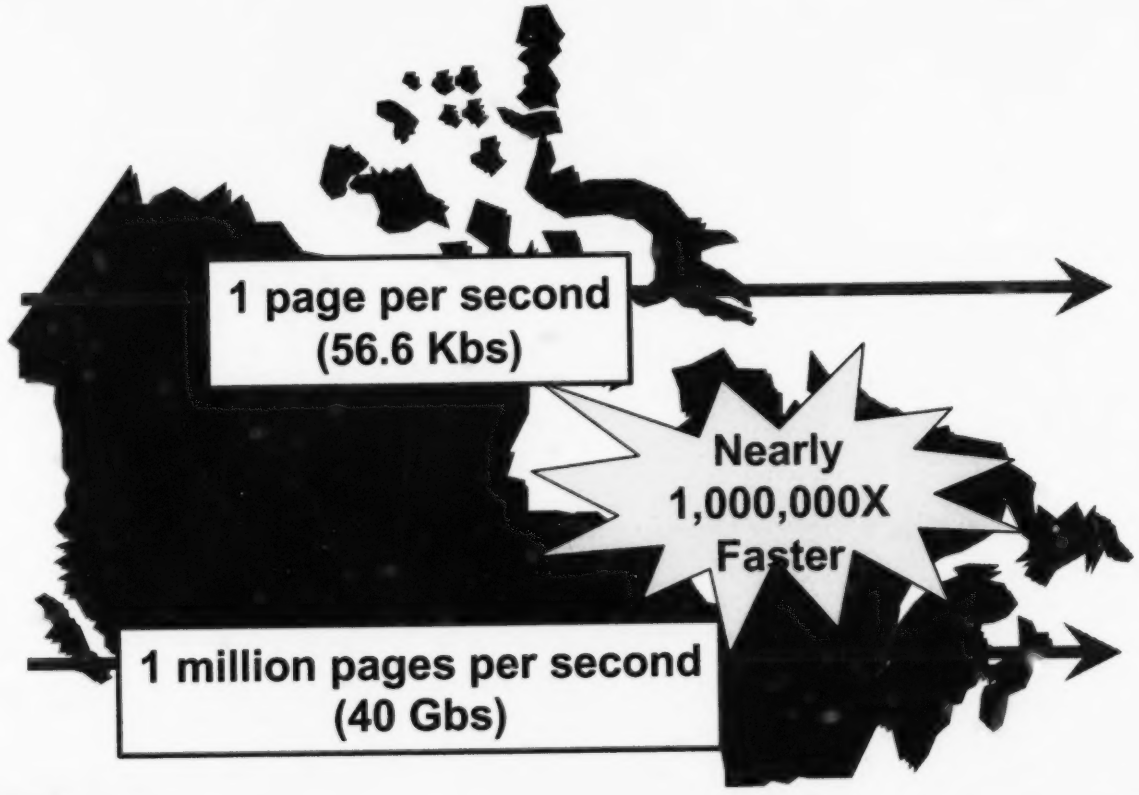
Pages of text

CA*net3
1999/2000

Pages of text

CA*net3: World's fastest, first all-optical national network

*The Next Generation Network – CA*net3*



CA*net
1993

Pages of text

CA*net3
1999/2000

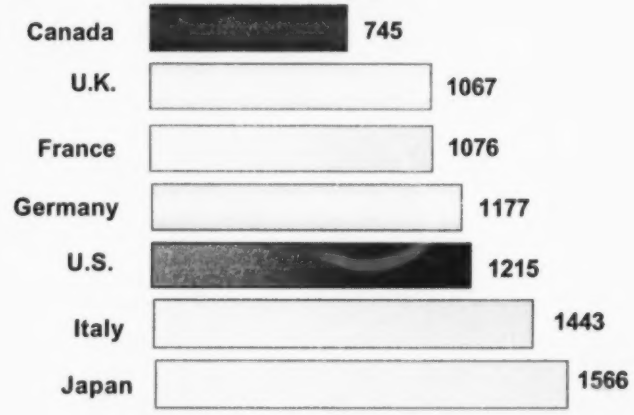
Pages of text

CA*net3: World's fastest, first all-optical national network

First in Telephone Affordability

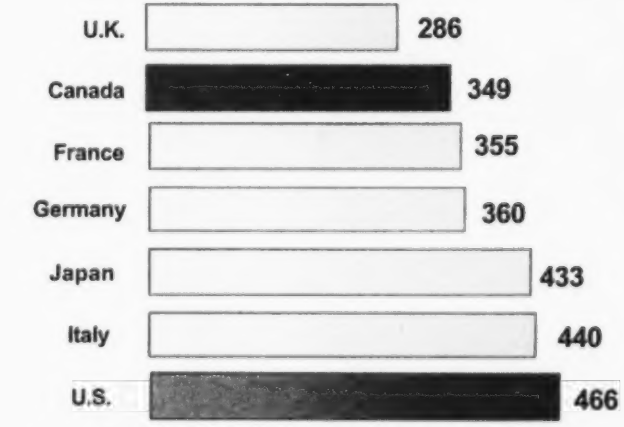
- Business telephone charges are lower in Canada than in any other G-7 country. Canada ranks 2nd among the G-7 behind the U.K. in residential telephone charges.

Annual Business Telephone Charges
U.S. $ PPP



Source: OECD Communications Outlook 2001

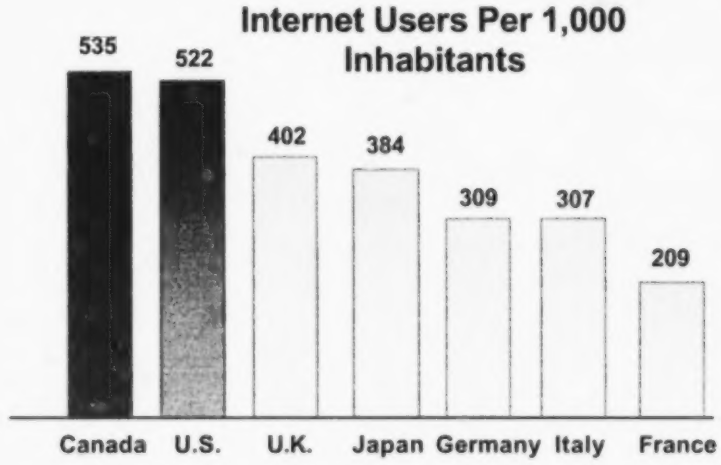
Annual Residential Telephone Charges
U.S. $ PPP



Source: OECD Communications Outlook 2001

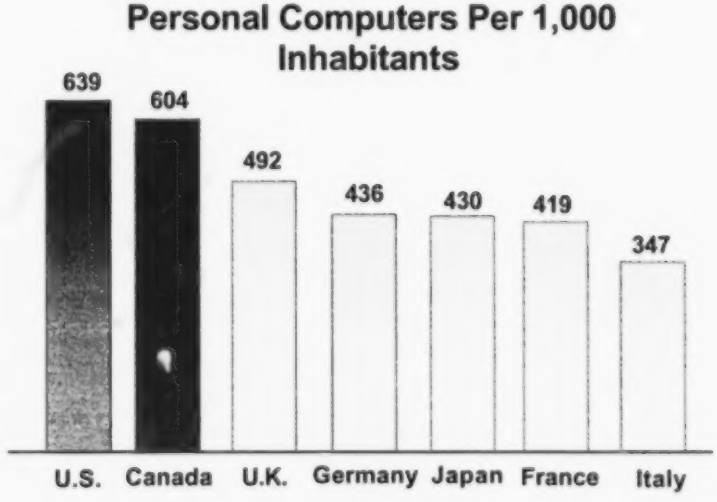
First in Internet Users and Among Leaders in PCs

- Canada tops among the G-7 countries in the share of its population that uses the Internet.



Source: World Competitiveness Yearbook 2002

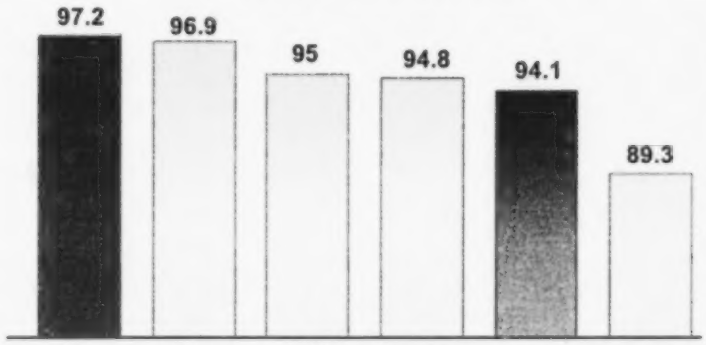
- Moreover, Canada is second only to the U.S. in the number of computers per 1,000 people.



First in Telephone and Cable Penetration

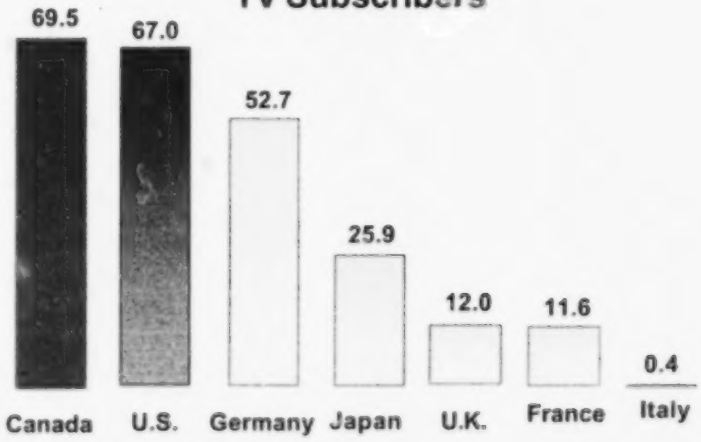
- Canadian households lead the G-7 in terms of telephone and cable penetration rates.

% of Households with Telephone Service



Source: World Telecommunication Development Report, ITU, 2001-2002

% of Households with Cable TV Subscribers*



*Estimates
Source: OECD Communications Outlook 2001

A World Leader in Terms of Overall Connectedness

Connectedness Rankings 2001*
Conference Board of Canada – 10 Country Comparison

	Overall Connectedness	Availability	Price	Reach	Usage
U.S.	**1**	1	1	2	3
Canada	**2**	2	3	1	1
Sweden	**3**	3	3	2	2
Finland	**4**	5	1	4	5
U.K.	**5**	5	7	5	6
Australia	**5**	4	9	5	4
Germany	**7**	7	5	8	7
Japan	**8**	8	10	7	8
France	**9**	8	5	10	9
Italy	**10**	10	8	9	9

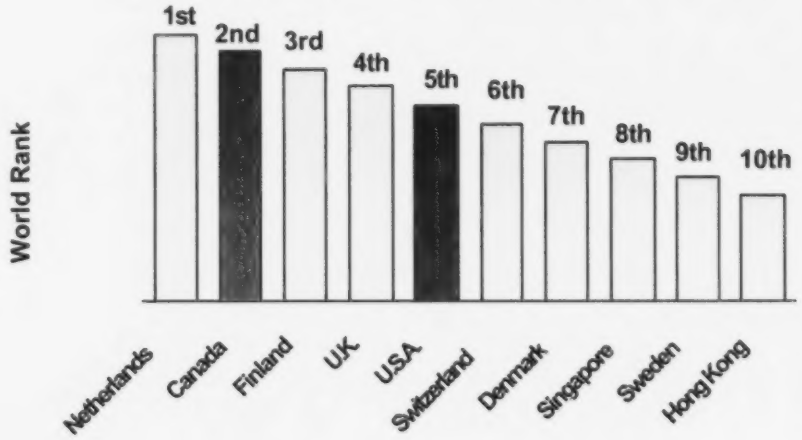
* The four components are defined as follows: (i) *Availability* is the supply, reflecting the potential to be connected. (ii) *Reach* is the demand. It refers to those people who already subscribe to the network. (iii) *Use* measures such factors as actual hours online, number of transac tions and dollars of revenue generated on the internet. (iv) *Price* also comes into play insofar as it influences reach and availability. Source: The Conference Board of Canada, June 2002

Canada Provides:

- A growing domestic ICT industry
- A sound ICT infrastructure
- **Excellent economic fundamentals**

- **Canada understands the importance of its business community and has created an environment to encourage its success.**

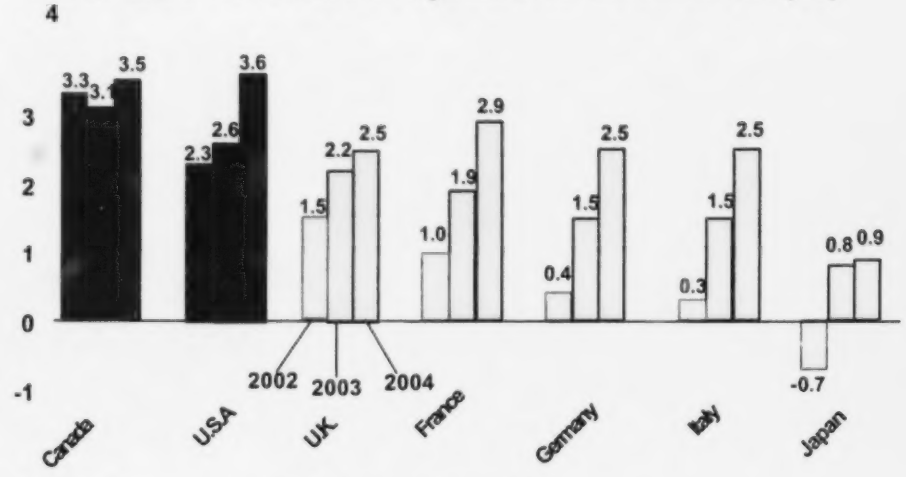
Business Environment of Top Ten Countries, Rank in 2002-2006



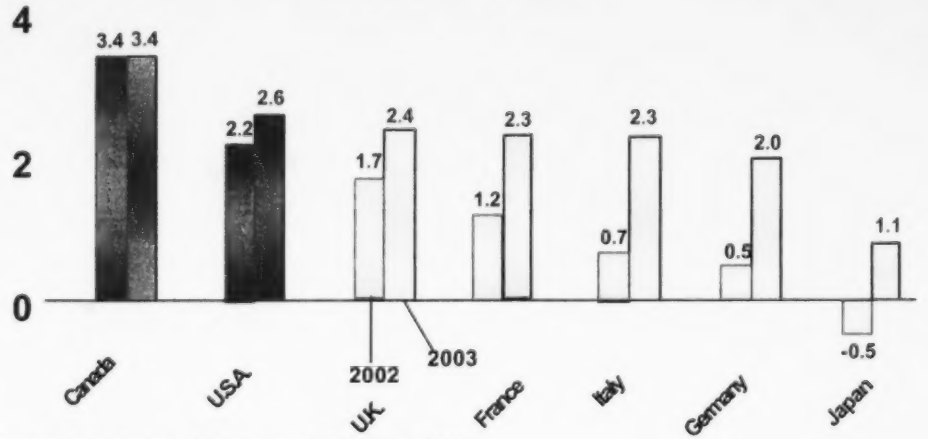
Source: The Economist Intelligence Unit, June 26th, 2002

- Canada's GDP grew at an annual rate of 6.2% in the first quarter and 4.3% in the second quarter, much stronger than growth in the other G-7 countries.
  - The OECD and IMF both forecast Canada to lead the G-7 in terms of growth in 2002 and 2003.

Real GDP Growth Projections 2002-2004 (%)



Source: OECD Economic Outlook, November 2002 Preliminary Edition



Source: International Monetary Fund, September 2002

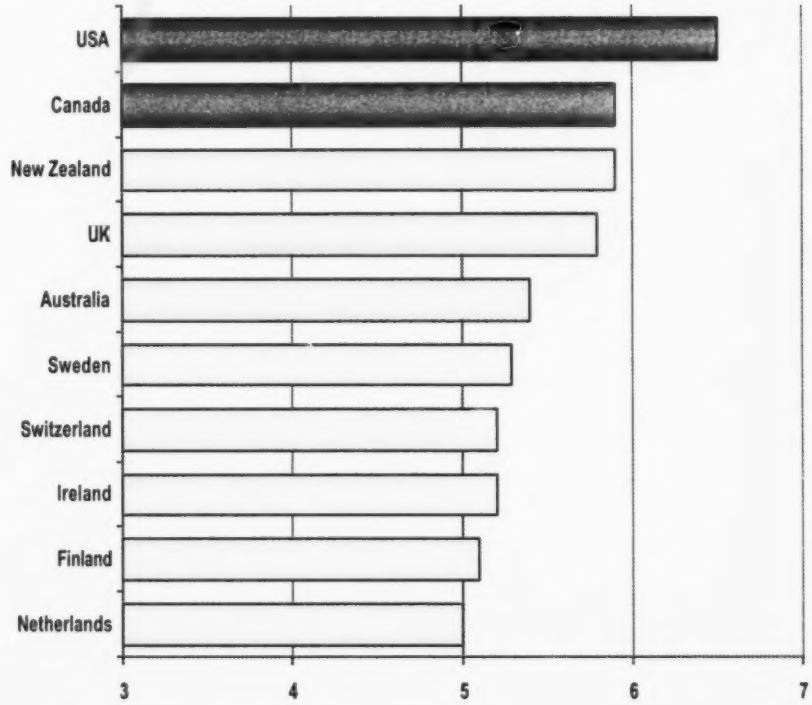
Solid Microeconomic Policies

- According to The Economist, Canada ranks 2nd among 21 countries in a Lehman Brothers study pertaining to the effectiveness of microeconomic or structural policies.

- These rankings are based on three micro-policy categories:
  - policies that increase an economy's long-term potential growth rate. For example, spending on education and R&D.
  - policies that affect labour market performance or reduce the lowest rate of unemployment at which inflation is stable (NAIRU).
  - policies that increase product market competition.

Economic Health*

Index of structural policies, 0=worst, 10=best



Source: The Economist, March 17th, 2001
***Based on a study of 21 countries.**

And Forward Looking Framework Policies

- The economic policies of the government of Canada are focused on making Canada a world leader in the global knowledge-based economy of the 21st century. Commitments include:
  - Making Canada the most connected Government to its citizens by 2004.
  - Making high-speed broadband access available to Canadians in all communities by 2005.
  - Becoming one of the top five countries for research and development by 2010.
  - Shaping a "National System of Innovation"; and
  - Providing marketplace frameworks/services benchmarked against the best in the world.

Government Policies/Programs Aimed at Building the Knowledge Infrastructure

- → **21st Century Chairs for Research Excellence**
- → **Networks of Centres of Excellence**
- → **Canadian Foundation for Innovation**
- → **Canadian Institute for Health Research**
- → **Telecommunications Policy**
- → **Technology Partnerships Canada**
- → **Granting councils (NSERC, MRC, SSHRC)**
- → **Communications Research Centre**
- → **Industrial Research Assistance Programme (NRC)**
- → **Co-operative sectoral research programs (PAPRICAN)**
- → **Canadian Network for the Advancement of Research, Industry and Education (CANARIE)**
- → **SR&ED tax credit for private sector research and development**
- → **Leading edge information systems: Strategis; CISTI (NRC); Cdn. Technology Network; Sector Competitive Frameworks**

"There are a number of important factors which make Canada a preferred investment location in the information technology industry. Some of those assets are: the level of technological development and competence, a critical mass in telecommunications, as well as loyal, qualified and flexible workforce."

Jerry Shattner, President
Hitachi Data Systems

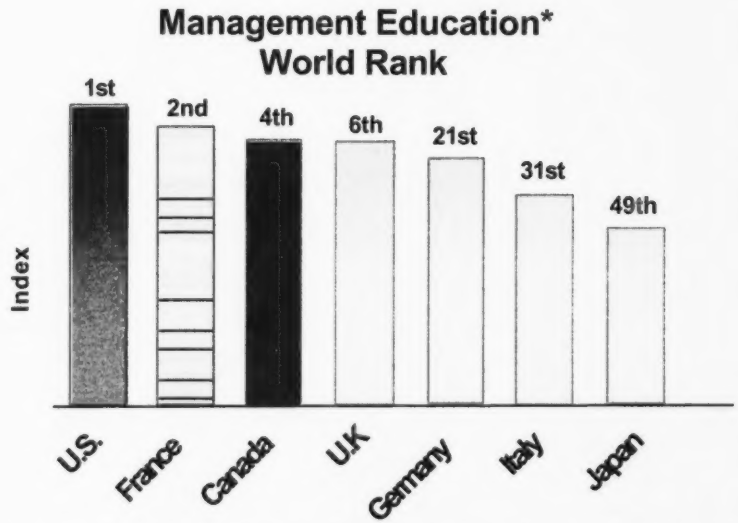
Canada Provides:

- A growing domestic ICT industry
- A sound ICT infrastructure
- Excellent economic fundamentals
- **A cost-competitive business environment**

Skilled Management

- Canada ranks third among the G-7 and fourth overall in a 75-country study of locally available Management education in first-class business schools.

  - Eight Canadian business schools are ranked among the top 100 Management Schools in the world according to a January 2001 survey by the Financial Times (UK).

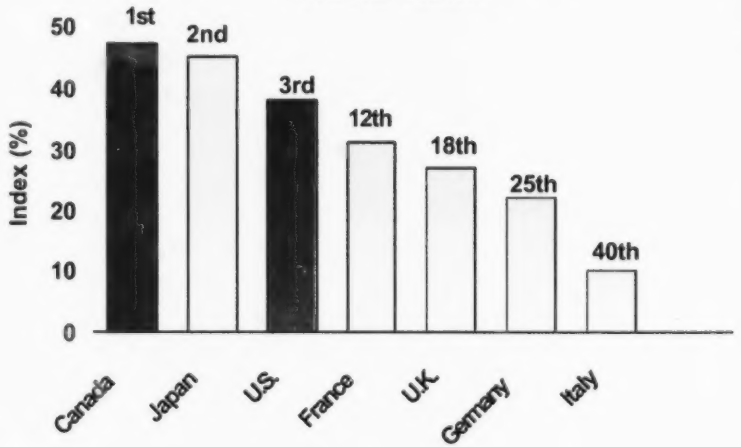


* Standing among 75 countries. Index based on the availability of Management education in first-class business schools.
Source: Global Competitiveness Report, 2001-2002

Superior Quality Workforce

- **The overall skill level of Canada's workforce ranks high among competing countries.**
- **According to the World Competitiveness Yearbook, Canada has the highest percentage of individuals achieving at least college or university education.**

Higher Education Achievement*
World Rank

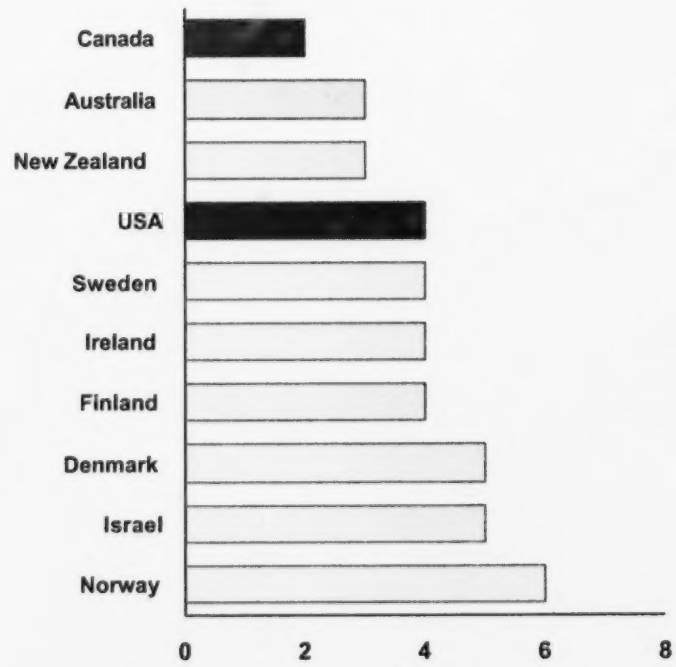


* Percentage of the population that has attained at least tertiary education among 49 countries considered in the World Competitiveness Yearbook, 2002.

Less Paperwork for New Businesses

- Canada makes it easier to set up a new business, with less paperwork than any other country.
- Canada is the most efficient place to pull together worldwide research or production teams.

Total Number of Business Start-up Procedures*



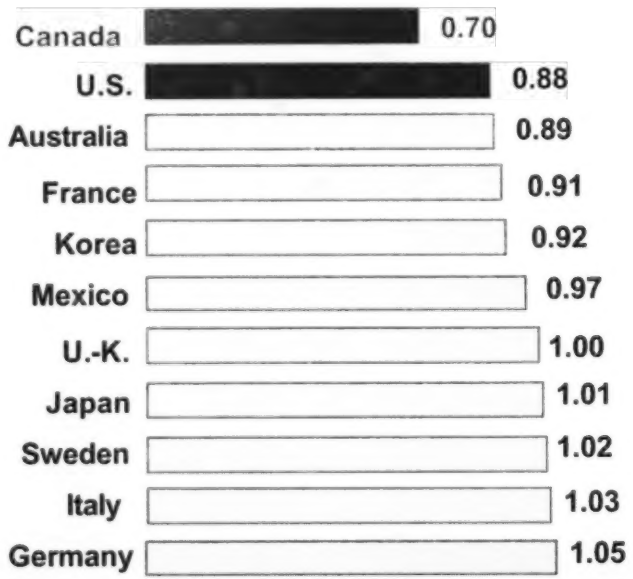
*Procedures divided into five major categories: Safety & Health, Environment, Taxes, Labour, and Screening.

Source: The World Bank and Harvard University, taken from The Globe and Mail, November 14, 2000

Low R&D Costs

- Canada offers the most favorable tax treatment for R&D among the G-7:
  - Canada's combined federal and provincial tax credits reduce the after-tax cost of $100 of R&D expenditures to as low as $44.
  - In Canada, eligible costs include: capital equipment, overhead, process R&D, salaries, and materials.
- These tax-based incentives permit firms to significantly reduce R&D costs through direct investment or sub-contracting in Canada.

Relative Competitiveness of R&D Tax System

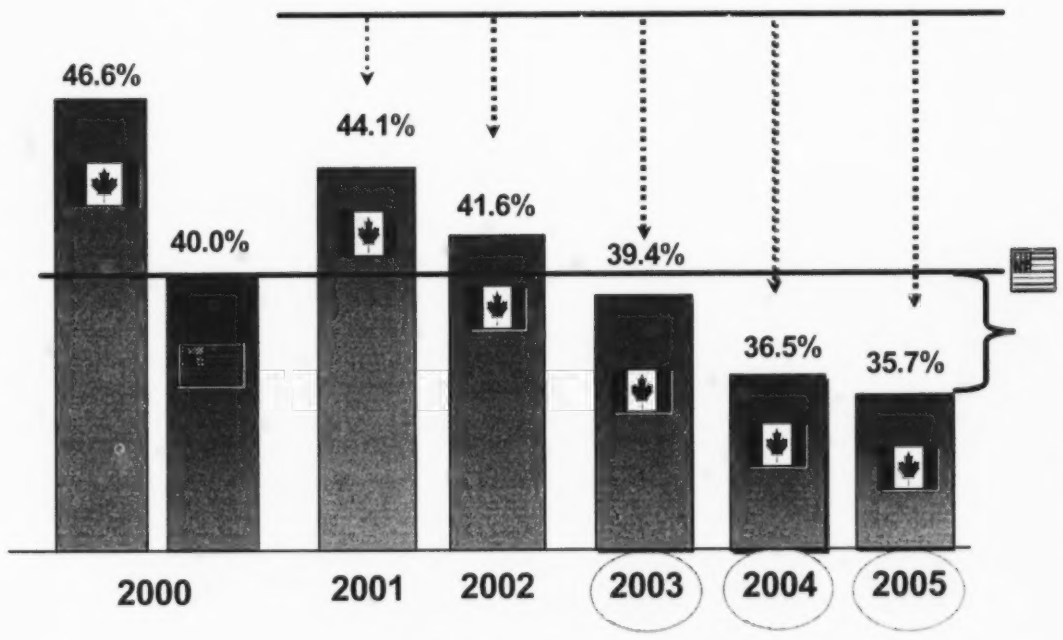


The B-index represents a ratio of the after-tax cost of a $1 expenditure on R&D divided by 1 less the corporate tax rate. A lower B-index indicates a more competitive R&D tax system
Source: Conference Board of Canada, November 1999

A Tax Advantage for Firms to Expand in Canada

- Canadian locations compare well internationally in terms of statutory corporate income tax rates.
  - The federal government and some provinces have announced sharp cuts in corporate taxes, to take effect over a five-year period.
  - The Economic Statement and Budget Update accelerated the pace of this tax relief.
- By 2005, firms in Canada will have a 4.3 percentage point corporate income tax rate advantage over U.S. firms (including capital tax).

Corporate Income Tax Rates
including capital tax equivalents

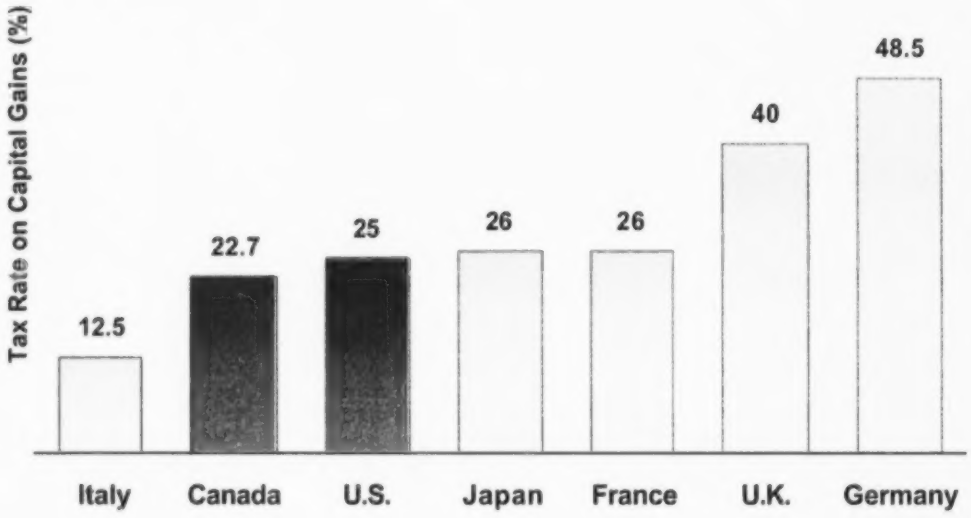


Source: The Economic and Fiscal Update, October 30, 2002

A Tax System to Encourage Investment

- More businesses have access to tax free rollovers.
  - Rollover amount: $2 million
  - Eligibility size: $50 million
- The Canadian federal capital gains inclusion rate has been reduced to 50% from 75%.
- Among the G-7 countries, only Italy has lower tax rates on capital gains.

Top Marginal Tax Rates on Capital Gains for Individuals - 2002
(Federal plus provincial/state)



Source: Finance Canada, July 2002

All Confirmed by KPMG's 2002 Study. . .

- KPMG's ***Competitive Alternatives: Comparing Business Costs in North America, Europe and Japan*** -- ranks Canada # 1 as the most cost-competitive country among G-7 nations, Austria and the Netherlands.

- Labor costs (including wages, salaries, pensions, compensation plans, etc.) represent a huge driver of costs in all nations surveyed.

- In the study, labor costs average 59% of location-sensitive costs for manufacturing and 81% for non-manufacturing operations. Canada has the lowest overall labor costs among the countries studied.

- Canada also offers the lowest overall costs for land and construction, and electricity, and one of the lowest corporate income tax rates.

All Confirmed by KPMG's 2002 Study (cont'd)

- Canada's cost advantage is most notable in industries requiring a highly skilled labor force, and where research and development constitutes a significant part of doing business.

- Canada's after-tax cost advantage for the 12 industries studied are, on average, 14.5% lower than the United States.

- Overall, Canada is the lowest-cost country in seven of the 12 operations studied.

KPMG's Finding's – Canada is # 1 in ICT

- Canada is the most cost-competitive location to establish an ICT business among the 9 countries studied.
- Canada's after-tax cost advantage over the US extends to R&D, Software, Corporate Services, and Electronic Equipment Manufacturing & Assembly.
- KPMG results driven primarily by labor costs, secondarily by taxes.

Industry	Operations Modeled	National Index and Rank* (US baseline = 100)								
		Austria	France	Germany	Italy	Netherlands	UK	Canada	US	Japan
R & D										
Product Testing	Electronic Systems Develop./ testing	81.4(6)	75.2(5)	88.8(7)	74.3(3)	74.8(4)	71.0(2)	66.9(1)	100.0(8)	114.3(9)
Software										
Software Design	Advanced Software	93.9(6)	91.5(5)	99.6(7)	89.1(3)	90.1(4)	82.0(2)	77.8(1)	100.0(8)	108.8(9)
Web Development	Content Development	96.6(6)	87.1(4)	97.1(7)	85.4(3)	87.6(5)	80.7(2)	77.6(1)	100.0(8)	115.6(9)
Corporate Services										
Corporate Services	Shared Services center, call center	111.8(7)	104.2(6)	123.4(8)	91.6(3)	100.9(5)	90.0(2)	80.3(1)	100.0(4)	154.2(9)
Manufacturing										
Telecom & electronics equip.	Electronics Assembly	95.7(6)	95.5(5)	105.9(8)	91.1(3)	95.0(4)	91.1(2)	89.4(1)	100.0(7)	121.6(9)

www.competitivealternatives.com

Source: Competitive Alternatives, KPMG, 2002

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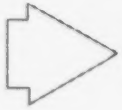
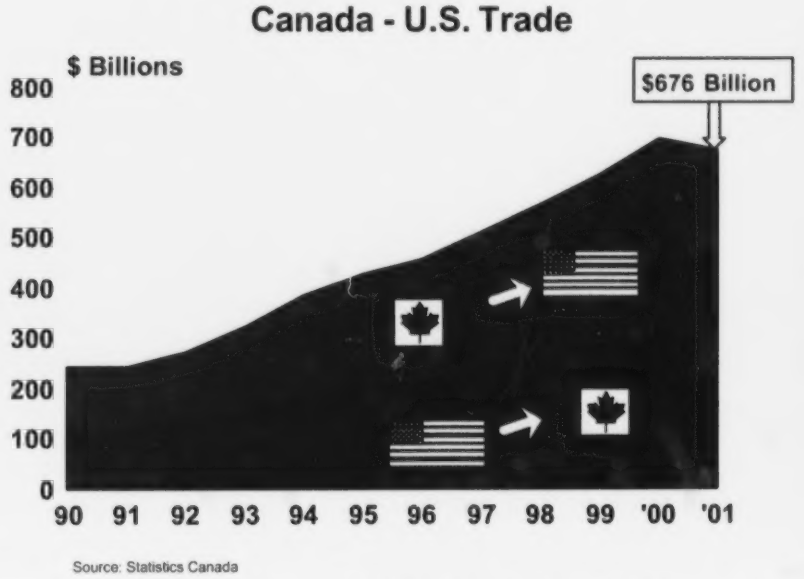


Easy access to the US market

Canada Is by Far the Largest U.S. Trading Partner

- Canada and the U.S. have the world's largest trade partnership, with two-way trade amounting to $676 billion in 2001. In fact, this averages to more than $1.3 million dollars a minute in trade.
- Between 1996 and 2001, trade between Canada and the U.S. grew at a compound average annual rate of 9.8%.
- The U.S. trades more with Canada than with any other country - the U.S. trades more with Canada than with all of the countries of the E.U. combined!



Source: Statistics Canada

* Merchandise trade
Source: World Trade Atlas

Streamlined Border Flows...

- **Since the enactment of the North American Free Trade Agreement (NAFTA) in 1994, Canada provides long-term assured access to the North American market — nearly 400 million people with a combined GDP of over $9.4 trillion ($U.S.).**

- **In addition to eliminating tariffs, NAFTA provides procedures for:**

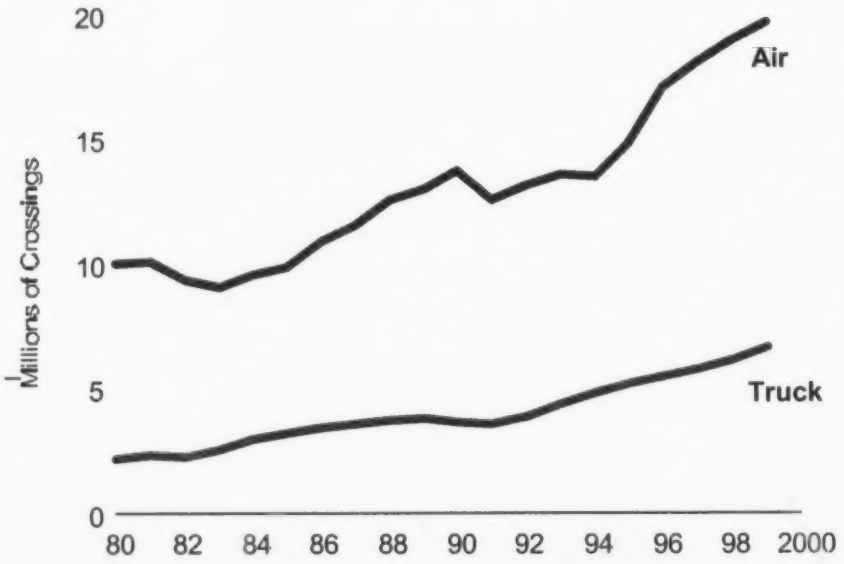
  - **border facilitation;**
  - **movement of personnel;**
  - **investment and intellectual property protection; and**
  - **product certification.**

- **The North American market is serviced through a well integrated transportation system which is among world's best.**

  - **Automated permit ports, transponder identification systems and joint processing centres are being tested and deployed.**

Annual Transborder Crossings -

Total Number of Trucks and Canada-US Air Passengers Entering Canada



Source: Transport Canada and Statistics Canada, 2001

"Pratt & Whitney has a worldwide distribution network. Customs operations have been streamlined to the point that the Canada-US border plays no role in our distribution system."

Brian McGill, Director of Transportation
Pratt & Whitney Canada Inc.

Smarter Borders

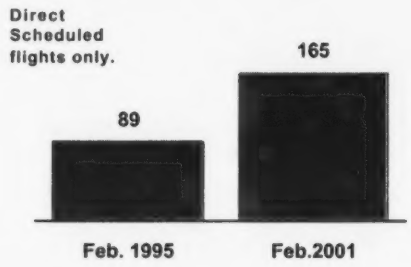
- **Efficient border crossing was restored within a week of the tragic events of Sept 11th**
  - today, border wait times average less than 10 minutes
- **In December, Canada and the USA signed a declaration to build a Smart Border for the 21st Century to accommodate the growth in trade and commerce**
  - initiatives focus on improving existing border processes through the use of new technologies and infrastructure
- **The December Budget also allocated $1.6 billion over the next five years for border initiatives**

...and Short Distances to Markets

- Almost half of the U.S. population lives within a 10 hour drive of Toronto, and over 60 percent within a two hour flight.
- Business travel between Canada and the U.S. has increased considerably since the inception of the "Open Skies*" Agreement (February, 1995)
- Direct air service between major cities in Canada and the U.S. has nearly doubled in 6 years.

*Under "Open Skies" Canadian Air Carriers gained unlimited rights to establish routes from any point in Canada to any point in the United States. Similarly, U.S. carriers also gained unlimited access to the Canadian market (with a phase in period for up to three years)

Increase in Transborder Routes Since Open Skies



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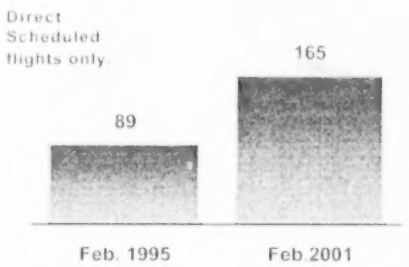

Source: Transport Canada